

DOD 2001 PROCUREMENT CONFERENCE

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In May 2001, Acting Deputy Assistant Secretary of the Army for Procurement Edward G. Elgart sponsored the DOD 2001 Procurement Conference in Orlando, FL. More than 500 senior Defense and industry procurement leaders attended the biannual conference.

Keynote speaker Dr. Kenneth J. Oscar, Acting Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASAALT), set the conference tone. Oscar's goal is to replace current 1,500- to 3,000-page contracts between contractors and the government with business agreements of 5-20 pages. These agreements, which would inspire and energize workers, would also be written in plain English.

Such business agreements will be written in performance-output terms, describing the solution to a problem, not the problem itself. For example, they would describe the number of photocopies required, not the type of copy machine to be used. Industry's strength is using its commercial expertise to solve problems. The government's responsibility is to provide clear descriptions of problems and the required performance output.

Oscar called on contracting professionals to be innovative by becoming business advisors much like chefs using their creativity rather than sticking to a rigid cookbook format. He discussed award-term contracting, which encourages teaming. As part of the business agreement, the contractor agrees to a productivity or quality curve that rewards the contractor's behavior. An example is rewarding the contractor's progress along this curve with future options for additional work under the agreement.

Oscar also wants to see a reduction in the Army's logistics tail for maintenance. It currently takes 110 railroad cars of supplies daily to sup-

port a division. Direct vendor delivery may be a solution to this problem.

In his address, Under Secretary of Defense for Acquisition, Technology and Logistics E.C. "Pete" Aldridge indicated that the change in terms from "Acquisition Reform" to "Acquisition and Logistics Excellence" reflects DOD's shift from reforming to implementing and optimizing innovations. A highlight of the conference was an outline of Aldridge's five acquisition goals, which are described below.

- Enhance the credibility of the acquisition process. Include Service secretaries as members of the Defense Acquisition Board. Stabilize system procurements by using spiral development and realistic pricing, and require program managers to include reserve dollars in their program budgets. Reduce acquisition and logistics cycle times, and do not expect contractors to co-fund system development unless there is a commercial application. Issue more performance-based contracts and make better use of "e-business" (electronic media) for conducting acquisitions.

- Revitalize the acquisition workforce because of the potential large number of retirements during the next 5 years. Work more efficiently



*Under Secretary of Defense for
Acquisition, Technology and Logistics
E.C. "Pete" Aldridge*

using e-business. Extend military tours of duty, and develop a strategy to educate and train acquisition workforce personnel and provide continuing education to encourage retention.

- Improve the health of the industrial base. Recognize industry's need for profit, and encourage further investment to meet Defense requirements. Focus on eliminating commercial barriers and encouraging shared savings incentive initiatives so that contractors can recoup part of the savings. Make government profit policies and contracts similar to those in the private sector. Encourage looking to small businesses for quality products.

- Rationalize weapon systems development against national strategies coming out of the Office of the Secretary of Defense. Assess the infrastructure to determine which military facilities are needed (a base realignment and closure committee may be required to meet this goal).

- Leverage technology and strategies for the future. Increase research and development budgets, use of advanced concept technology demonstrations, use of non-Defense technology, and enhanced technology transfer to weapon systems.

Later in the day, Deidre A. Lee, Director of Defense Procurement, Office of the Secretary of Defense, enthusiastically outlined her focus areas. With the high number of pending retirements, there is an opportunity to hire young and enthusiastic people who will bring innovative and creative ideas to the workforce. She is developing a Web site where DOD-wide 1102-series procurement and contracting vacancies can be posted, providing an opportunity for careerists to have rotational assignments on her staff. She is also working with the Defense Acquisition University to



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update training to incorporate new initiatives.

Lee would also like to see changes in contract incentives. For example, when using weighted guidelines, contractors raise their profit with additional facilities management and obtain more money for finance when extending the length of a contract (under weighted guidelines cost of capital). Currently, profit is constrained by weighted guidelines and the associated prescribed profits. For example, the Standard and Poor's 500 has an average profit rate of 11.8 percent, but with weighted guidelines, profit rates are constrained to 6 percent. However, long-term contracts may become the most critical future incentive.

She added that performance-based contracts provide more objective criteria and higher customer satisfaction. Contractors have more rewards with payments of 90 percent of price under performance-based contracts versus 75 percent of costs using the standard progress payments. The key to success is to tie the award fee to the key performance parameters.

Lee stated that there is more to be done in the area of market research, and she wants to confer

with industry to gather lessons learned from the private sector.

Elgart concluded the conference by highlighting his top three focus areas and providing tips for career success. His number one priority is customer satisfaction. As such, careerists should think of DOD as an enterprise and use various Service agencies' contracts to meet the customer's needs. This is particularly critical as a result of dwindling manpower resources.

Second, application of metrics to the contracting field is critical for focusing on the continuous reduction of acquisition cycle time.

Third, continuous training of the workforce provides currency and enhances everyone's ability to accomplish the mission.

Elgart's tips for success include the following: Learn to operate as a team member and effectively communicate internally and externally to get the job done; always volunteer, look for opportunities, and never say "no" to a project; and take advantage of career-broadening opportunities, particularly those that provide better understanding of the customer's perspective and mission.

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